



# Department of Defense DIRECTIVE

NUMBER 5120.42

May 19, 1977

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Administrative Reissuance Incorporating Change 1, November 16, 1994

ASD(MRA&L)

SUBJECT: Department of Defense Wage Fixing Authority --Nonappropriated Fund Compensation Programs

References: (a) Subchapter IV, Chapter 53, Title 5, United States Code (Public Law 92-392)  
(b) Title 10, United States Code, 133  
(c) DoD Directive 5120.42, "Department of Defense Nonappropriated Fund Salary and Wage Fixing Authority," December 19, 1971 (hereby cancelled)  
(d) [DoD Directive 5120.39](#), "Department of Defense Wage Fixing Authority," June 5, 1968  
(e) through (j), see enclosure E1.

## 1. REISSUANCE AND PURPOSE

1.1. Pursuant to the authority contained in references (a) and (b), which designate the Secretary of Defense as the Salary and Wage Fixing Authority for employees of DoD Nonappropriated Fund Instrumentalities (NAFIs), this Directive reissues reference (c) to:

1.1.1. Define the authority and assign the responsibility for salary and wage fixing for NAFI employees within the Department of Defense.

1.1.2. Extend the area of concern of the Technical Staff, as defined in reference (d), to include nonappropriated fund functions.

1.1.3. Extend the area of concern of the DoD Wage Committee, as defined in reference (d), to include Federal Wage System wage surveys subject to reference (a).

1.1.4. Establish and define the authorities of the Nonappropriated Fund Pay Administration, Standards and Appeals Division.

1.2. DoD Directive 5120.42 (reference (c)) is hereby superseded and cancelled.

## 2. APPLICABILITY AND SCOPE

2.1. The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies, hereafter referred to as "DoD Components."

2.2. The provisions of this Directive pertain to employees of the DoD Components and NAFIs for whom the Secretary of Defense has salary and wage fixing authority. The Director of the National Security Agency is authorized by DoD Directive 5100.23 (reference (e)) to fix rates of pay for prevailing rate employees of that Agency, and is excepted from the provisions of this Directive.

## 3. POLICY

3.1. Compensation for NAFI employees subject to 5 U.S.C. 5341 et seq. (reference (a)), will be fixed and adjusted from time to time, as nearly as is consistent with the public interest, in accordance with FPM Supplement 532-2 (reference (f)).

3.2. Compensation for NAFI employees in clerical, administrative, and fiscal positions (categorized as Administrative Support (AS) positions), and sales and other patron service positions (categorized as Patron Service (PS) positions), will be fixed and adjusted from time to time, as nearly as is consistent with the public interest, in accordance with prevailing rates. These rates are determined by a survey of wages paid to employees in a representative number of retail, wholesale, recreation, finance, and insurance establishments, in the local area, who are engaged in activities similar to those in the instrumentalities for which the survey is made.

3.3. Compensation for NAFI employees in managerial, executive, technical, and professional positions (categorized as Universal Annual (UA) positions) will be on an annual salary basis. It will be administratively fixed and adjusted from time to time, as nearly as is consistent with the public interest, commensurate with the rates of compensation for Civil Service employees in positions of comparable difficulty and responsibility who are subject to the "General Schedule," 5 U.S.C. 5332(a) (reference

(g)).

#### 4. ORGANIZATION

4.1. The organization concerned with salary and wage fixing for DoD NAFI employees is known as the Department of Defense Wage Fixing Authority (DoD Directive 5120.39 (reference (d))). Comprising this organization for nonappropriated fund compensation programs are the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics), the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), the DoD Wage Committee, the Technical Staff, and the Pay Administration, Standards and Appeals Division.

4.2. DoD Directive 5120.39 (reference (d)) provides detailed information on the composition of the DoD Wage Committee and the Technical Staff, whose areas of concern are extended by this Directive (see 1.1.2. and 1.1.3.).

#### 5. AUTHORITIES AND RESPONSIBILITIES

5.1. The Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) is authorized to:

5.1.1. Act for the Secretary of Defense in accordance with DoD Directive 5124.1 (reference (h)) and approve as appropriate, for DoD NAFI employees:

5.1.1.1. Policies for salary and wage fixing, pay administration, job grading and classification; and

5.1.1.2. Salaries, wages, premium pay, allowances, differentials, fringe and other benefits.

5.1.2. Redesignate the authority set forth in 5.1.1., above, to the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), as he considers appropriate.

5.2. The DoD Wage Committee will meet at the call of the Chairman. In addition to the responsibilities assigned by DoD Directive 5120.39 (reference (d)), the Committee shall perform wage survey functions for nonappropriated fund employees, as required by 5 U.S.C. 5341 et seq. (reference (a)).

5.3. The functions of the Technical Staff, under the direction of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), are defined in DoD

Directive 5120.39 (reference (d)), and are extended to include:

5.3.1. Executing authorized nonappropriated fund salary and wage policies.

5.3.2. Conducting special research projects.

5.3.3. Preparing and distributing reports of nonappropriated fund wage surveys, wage schedule authorizations, and other wage determination activities.

5.3.4. Performing such other functions as the DASD (CPP) may direct, in accordance with 5 U.S.C. 5341 et seq. (reference (a)), FPM Supplement 532-2 (reference (f)), and DoD Manual 1330-19-1M (reference (j)).

5.4. The Chief of the Nonappropriated Fund Pay Administration, Standards and Appeals Division, who is selected by and reports to the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), shall carry out the responsibilities set forth in 5.4.1. through 5.4.7., below; conduct special research projects; and perform such other functions as the DASD (CPP) directs.

5.4.1. Determine the occupational grouping and titling systems for UA, AS, and PS jobs.

5.4.2. Develop and issue instructions for the job grading system.

5.4.3. Develop and issue job grading standards.

5.4.4. Develop and issue job grading appeal procedures.

5.4.5. On request, provide technical guidance and advice to all NAFIs on job grading and job grading appeals.

5.4.6. Act as the final appellate level for job grading appeals from NAFI UA, AS, and PS employees.

5.4.7. Develop and issue instructions which will ensure uniform administration of base and premium pays within NAFIs.

5.5. The Secretary of the Army is responsible for providing, on a common service basis, administrative support to the Technical Staff and the Pay Administration, Standards and Appeals Division. This support includes: budgeting, funding, fiscal control, manpower control and utilization, personnel administration, security

administration, space, facilities, supplies, and other administrative provisions and services.

5.6. Proportionate expenses of the Technical Staff and the Pay Administration, Standards and Appeals Division, for salaries and resources related to the nonappropriated fund function, will be paid from nonappropriated funds. Nonappropriated funds will be prorated, and the amount furnished by each DoD Component will be subject to approval of the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).

## 6. RELATIONSHIPS

6.1. Coordination of policy issues will be handled with DoD Components through normal staff procedures.

6.2. The Chairman of the DoD Wage Committee, the Chief of the Technical Staff, and the Director of the Pay Administration, Standards and Appeals Division, are authorized to communicate directly with DoD Components, or elements thereof, concerning matters under their cognizance.

## 7. BUDGET APPROVAL AND FUNDING

7.1. On or before August 15 of each year, a proposed non-appropriated fund budget for the succeeding fiscal year will be prepared by the Technical Staff and by the Pay Administration, Standards and Appeals Division. In addition to the detailed budget prepared by element of expense, a proposed proration of costs among the Army, Navy, Air Force and Exchange Service will be developed, based on the relative services rendered each of the Military Departments and Defense Agencies during the prior fiscal year.

7.2. A Budget Review Board will be established consisting of representatives of the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) and the Assistant Secretaries of the Military Departments (Manpower and Reserve Affairs). The Budget Review Board will review and approve the budget submission and determine the pro rata costs for each Nonappropriated Fund Instrumentality. Final actions of the Board will be subject to the approval of the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).

7.3. One-fourth of each contributor's pro rata portion of the costs will be provided

on October 1, January 1, April 1, and July 1 of each year, to cover expenses for the current quarter.

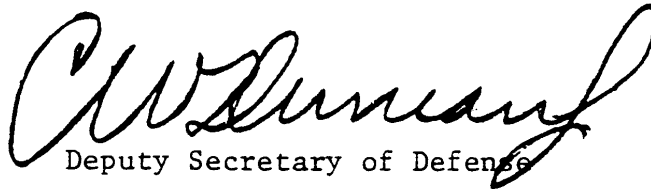
## 8. REPORTS

8.1. Reports required in accordance with 5.3. are assigned Reports Control Symbol DD-M(AR)1165.

8.2. Special reports required in accordance with 5.4., shall be prescribed in accordance with DoD Directive 5000.19 (reference (i)).

## 9. EFFECTIVE *DATE*

This Directive is effective *immediately*.



Deputy Secretary of Defense

Enclosures - 1

1. References, continued

**E1. ENCLOSURE 1**

**REFERENCES, Continued**

- (e) [DoD Directive 5100.23](#), "Administrative Arrangements for the National Security Agency," May 17, 1967
- (f) Federal Personnel Manual (FMP) Supplement 532-2
- (g) Title 5, United States Code, 5332(a)
- (h) DoD Directive 5124.1, "Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics)," April 20, 1977
- (i) DoD Directive 5000.19, "Policies for the Management and Control of Information Requirements," March 12, 1976
- (j) DoD Manual 1330.19-1M, "Department of Defense Manual for Nonappropriated Fund Instrumentalities," September 6, 1974